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RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY  
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RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
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C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 000623

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STATE FOR EB/ESC, WHA/EPSC, WHA/PPC, AND WHA/CEN  
STATE FOR S,D,E,P, AND WHA  
TREASURY FOR DDOUGLASS  
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E.O. 12958: DECL: 03/30/2016

TAGS: [ENRG](#) [EPET](#) [HO](#) [PGOV](#) [PINR](#) [PREL](#)

SUBJECT: HONDURAN FUEL BID CONSULTANT REPORTEDLY HIRED;  
PETROCARIBE DEAL STILL ON THE TABLE AS GOH REP VISITS CHAVEZ

REF: TEGUCIGALPA 534 AND PREVIOUS

Classified By: Ambassador Charles Ford for reasons 1.4 (b) and (d).

¶1. (C) Summary: Honduran press reports that the GOH has signed a one-year contract with U.S. citizen consultant Robert Meyeringh to develop a national fuels bid strategy; other sources consulted by Post doubt the deal is completed yet. Comments from key GOH officials on the proposed bid were mixed. President Jose Manuel "Mel" Zelaya maintains that the oil companies -- which stand to lose the most from the bid -- will play major roles in the process. Zelaya also privately told Ambassador that he would sign no consultancy contract unless it also contained a guarantee of a minimum savings on fuel costs by a certain date. Meanwhile, the oil companies continue to state that they will not negotiate the use of their storage facilities, a key aspect of the bid, and openly question whether any one company could bid competitively. This may leave the door open for PetroCaribe, and a GOH minister who recently visited Venezuela and met with President Hugo Chavez indicated that the GOH is continuing to consider such a deal. End Summary.

¶2. (U) According to published reports, the GOH has signed a contract with U.S. citizen consultant Robert Meyeringh to develop a national bid strategy. His responsibilities would include developing an energy strategy for the short and long term, determining how the bidding process would work, then executing the bid. Meyeringh would have two weeks to set up his office, then thirty days to prepare a bid. Given this timeline he would have the bid available for publication by mid-May.

¶3. (C) News reports also quoted Minister of the Presidency Yani Rosenthal as saying the contract &still needs to be analyzed in light of the State Contracting Law to determine if any conflict exists before approval. Interestingly, President Jose Manuel "Mel" Zelaya made a point of indicating that, while this will result in one company distributing fuel to the country, &many national and international companies will participate in the bidding process.<sup>8</sup> Oil company spokesman Mario del Cid doubted the accuracy of the reports, stating that, according to a source close to President Zelaya, the deal is pending a guaranteed savings clause to be placed in Meyeringh's contract. (Note: This is consistent

with remarks Zelaya made to Ambassador on March 28, reported septel. End Note.) Del Cid estimated this savings guarantee at about five U.S. cents per gallon, or roughly \$20 million U.S. dollars per year. How that savings would be measured, and over what timeframe, remains unclear.

14. (C) The oil companies, primarily U.S. companies Texaco and Exxon/Mobil, have continually stated that logistically they could not deliver all of Honduras, fuel needs individually. Representatives from both companies indicated that they probably would not offer a bid in the process, leaving the field open for either &ghost traders<sup>8</sup>, unreliable groups of traders with no real investment stake in the country, or Venezuela through PetroCaribe. The Exxon/Mobil representative reiterated the rumor (ref a) that Venezuelan state oil company PdVSA has expressed an interest in buying Honduran retail gasoline station operator DIPPSA. Other sources indicate that Honduran energy magnate Freddy Nasser has bid on the company. However, in private talks with Ambassador and EconChief, Nasser denied this, noting that with the rules governing fuel imports and distribution in flux, it would be impossible for him to value the business and to make an appropriate bid. Nasser, already active in fuel imports for his electricity generating plants, expressed strong reservations about the state-sponsored import scheme.

15. (C) Ambassador and PolChief met March 30 with Minister of Labor Rixi Moncada Godoy in a standard courtesy call. At the end of the meeting, Ambassador asked Moncada about reports the Embassy had heard that she would be traveling to Venezuela to discuss the planned Honduran fuel bid. Minister Moncada said that in fact she had just returned from Venezuela, taking a solo trip there (March 27-29 including

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travel). Moncada said that the purpose of the trip was to invite the Venezuelan parastatal oil company PdVSA to take part in the fuel bid. However, she said that terms of a possible PetroCaribe deal were also discussed. Moncada met with the Commerce Minister, the Energy Minister/PdVSA head, the Minister of the Presidency, and President Hugo Chavez himself. Moncada said that it appeared that PdVSA might participate in the fuel bid, and that a GOV-GOH PetroCaribe deal was a real possibility.

16. (C) Moncada said that the PetroCaribe terms were 60 percent due within 90 days, and the remaining 40 percent due over the next 25 years at a rate of one to two percent. (Note: This is consistent with what other sources had predicted to Post, based on the previously announced structure of the PetroCaribe offer. End note.) Moncada, who admitted that she was not an energy nor financial expert and was apparently chosen as the GOH's emissary due to her closeness to the President's inner circle of ministers, said that the terms appeared good from a price/legal standpoint (Moncada is a lawyer). Moncada also said that the Honduran company Lufussa, which has a thermal energy generator plant in southern Honduras, had agreed on a deal to buy fuel at reduced rates from Venezuela, with the requirement that the saving be passed on to consumers via parastatal electricity company ENEE. Moncada opined that the GOH needed an overall energy plan. It appeared to EmbOffs that Moncada was being very upfront in her comments about her trip (which followed an excellent discussion on labor issues, including CAFTA).

17. (SBU) Oil companies representatives have long since lost confidence in dealing with the GOH. Per reftels, they were effectively ambushed last March 6 at a &technical<sup>8</sup> meeting to discuss the bid, where the President and his key advisors were found waiting with members of the Patriotic Coalition, the main group supporting the state-run international bid tender. On March 24, company representatives personally met with Minister Rosenthal, who promised not to change the two-week averaging method for determining fuel prices unless &another Hurricane Katrina strikes.<sup>8</sup> Shortening the averaging period would allow the GOH to take advantage of

declining prices, while lengthening the period smoothes out the impact of rising prices. The very next day the averaging period was extended to twenty-two days in the face of threatened transportation strikes around the country.

18. (C) Comment: Whether or not Meyeringh,s contract is officially signed, it appears that the national bid process will be underway soon, and bids could be accepted as early as May. With the oil companies adamant about not sharing their storage facilities, and a potential bid winner looking for somewhere to store the estimated fifteen million barrels of refined fuel, a showdown appears inevitable. What role Venezuela will play through PetroCaribe still remains unclear, but what is clear is the Zelaya administration continues to consider a PetroCaribe option. End Comment.  
Ford